



**King County**

# ***HRA VEBA*** **Quick Facts**

VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATION

A VEBA is a tax-free medical expense reimbursement account used to pay for qualified medical expenses for an individual, spouse and IRS-qualified dependents. The proposed VEBA would be funded by the 35 percent cash out of sick leave at the time of retirement from PERS, LEOFF 2, PSERS and the Seattle retirement system. Funds would be deposited into accounts held by a nonprofit, tax-exempt VEBA trust managed by a participant-elected board of trustees of city, county and special purpose district representatives. This summer, eligible King County employees\* through bargaining units and a non-represented employee group will be asked whether they want to participate in a VEBA. The decision by the group will apply to all retirements in that group during a three-year period, beginning January 1, 2007. In 2009, employees will have an opportunity to reconsider their participation in the VEBA for another three-year period.

## **Why an *HRA VEBA*?**

- The *HRA VEBA* is being discussed as a result of an agreement between King County and a coalition of bargaining units.
- Nearly 200 counties, cities and special purpose districts in Idaho, Oregon and Washington already participate in a VEBA trust.

## **Eligibility for the *HRA VEBA***

- Employees who are members of the PERS, LEOFF 2, PSERS and Seattle retirement system are eligible to participate in the *HRA VEBA*.
- Employees retiring from employee groups that decide to participate in the VEBA plan will participate. Those retiring from groups that decide not to participate in the VEBA will not be able to participate. (See *Deciding on VEBA*.)
- Employees will have 12 months from the date they retire to enroll in the VEBA or forfeit this benefit.

## **Funding the *HRA VEBA***

- For eligible employees, the 35% cash out of sick leave at time of retirement will be deposited directly into a *HRA VEBA* account. No employee contributions are permitted. The Internal Revenue Service determines how VEBA trust funds are managed and used.
- Decisions about the *HRA VEBA* will be in effect Jan. 1, 2007-Dec 31, 2009, unless extended by the employee groups. (See *Deciding on VEBA*.)
- Similar to the county's deferred compensation plan, retirees select from among several investment choices and can change investments easily. Accounts are subject to a \$1.50 monthly administrative fee, but there are no transaction fees.

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\* Employees who are not eligible include members of ATU Local 587 and KCPOG, which are not part of the coalition that bargained for the VEBA; non-represented members of LEOFF 1, which does not have this form of sick-leave cash out; and members of the Judicial Retirement System, which is part of the state retirement system.

## Using the *HRA* VEBA

- Funds are deposited into the VEBA account tax-free and are withdrawn as tax-free reimbursements or payments for a broad list of IRS-qualified medical expenses, including health insurance premiums, prescriptions, certain over-the-counter medications, eye glasses and hearing aids. Health insurance premiums are the most commonly reimbursed expense. Automatic reimbursement for health insurance premiums can be arranged.
- A third-party administrator handles account activity, including participant-directed investment fund allocations and claims. Claims can be submitted electronically, by fax or mail. Calls for assistance are answered by a person.

## Deciding on *HRA* VEBA

This summer, many King County employees will be asked whether they want the VEBA benefit. If you are eligible, you will be organized into one of the following groups, as required by the IRS:

- **Represented Employees.** The IRS identifies a bargaining unit as a group for VEBA purposes. Each bargaining unit determines how its VEBA decision will be made. Represented employees need to consult with their bargaining unit leadership for plan adoption details.
- **Non-Represented Employees.** Employees in executive departments and the offices of the Assessor, County Council, District Court, Prosecuting Attorney, Sheriff, and Superior Court have been organized into the Non-Represented King County Employees VEBA Group. Those employees who would be eligible to receive the VEBA retirement benefit from January 1, 2006-December 31, 2009, will be eligible to vote. Non-represented employee are eligible to vote if they:
  - Were born in 1961 or earlier, and
  - Are a member of the PERS, LEOFF 2 or PSERS retirement plans.

Non-represented employee ballots will be on the county's intranet. Votes are cast as secret ballot. Procedures will be in place to prevent voter fraud. The voting period is Aug. 14-Sept. 8, 2006. Approval is by a simple majority of votes cast.

**Individual Participation Not Optional.** The decision of each group will be binding on all retirees from that group for the period of Jan. 1, 2007-Dec. 31, 2009. In 2009, employee groups will have an opportunity to reconsider participation in the VEBA for a second three-year period.

## Benefits of an *HRA* VEBA

- **Save 15%, 25% or more on taxes.** Contributions are exempt from Social Security, Medicare and federal income taxes. Investment earnings and withdrawals for qualified health care expenses and insurance premiums are also tax free.
- **Healthy Retirement Incentive.** The VEBA provides a financial incentive for maintaining good health to accumulate sick leave and increase the amount of tax savings for health care expenses. And, good retiree health contributes to good retiree financial health.

## Want more information? Have questions?

- 🗣️ Presentations will be made during the summer at major worksites – and online.
- 🖱️ Go online at [www.metrokc.gov/employees/benefits/hraveba](http://www.metrokc.gov/employees/benefits/hraveba).

For questions or to request that a Non-Represented Employee VEBA Group ballot or paper copy of online material be mailed to you:

- ☎️ Call Benefits and Retirement Operations at 206-684-1556 weekdays from 9:30 a.m.-3:30 p.m.
- ✉️ E-mail [kc.benefits@metrokc.gov](mailto:kc.benefits@metrokc.gov) anytime.